

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 /078 W

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R 141550Z MAR 75

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 9438

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS OSLO 1044

E.O. 11652: N/A

TAGS: ECON, EFIN, NO

SUBJECT: MINISTER OF FINANCE ON CURRENT ECONOMIC SITUATION

BEGIN SUMMARY: AGAINST A BACKDROP OF CONTINUING INFLATION, A GROWING BALANCE OF PAYMENTS DEFICIT, INCREASING SHIP LAY-UPS, DIFFICILTIES WITH A NUMBER OF MAJOR EXPORT INDUSTRIES, NOTABLY FISH AND SHIPBUILDING, AND RUMORS OF FOREIGN BORROWING, FINANCE MINISTER KLEPPE REPORTED TO PARLIAMENT ON THE STATE OF THE NORWEGIAN ECONOMY ON MARCH 13. HE OUTLINED PLANS AND PROGRAMS TO DEAL WITH SOFT SPOTS, CLAIMED THE OUTLOOK WAS GENERALLY GOOD, AND SAID THAT NORWAY SHOULD BE ABLE IN 1975 TO KEEP WITHIN THE 11 PERCENT TARGET FOR INFLATION AND THE 4 TO 5 PERCENT TARGET FOR INCREASES IN REAL INCOME. HE ALSO ADMITTED THAT NORWAY WOULD RUN A RECORD BALANCE OF PAYMENTS DEFICIT OF ABOUT 10 BILLION KRONER (\$2 BILLION) -- EQUIVALENT TO ABOUT ONE-THIRD OF EXPORT EARNINGS -- BUT SAID THIS CREATED NO DIFFICILTIES WITH RESERVES HIGH AND

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OIL REVENUE COMING IN SOON, AND SAID THAT THE NORWEGIAN GOVERNMENT

WOULD BORROW ABROAD FOR THE FIRST TIME SINCE 1964.  
END SUMMARY.

1. MINISTER OF FINANCE KLEPPE ON MARCH 13 REPORTED TO PARLIAMENT ON THE CURRENT ECONOMIC SITUATION AND SAID THAT IN SPITE OF THE INCREASING INTERNATIONAL RECESSION, THE OUTLOOK FOR THE NORWEGIAN ECONOMY FOR 1975 CONTINUES GOOD, ALTHOUGH PROJECTIONS IN LAST FALL'S NATIONAL ECONOMIC BUDGET WILL HAVE TO BE ADJUSTED. GROWTH IN THE EXPORT INDUSTRIES, INCLUDING SHIPYARDS, WILL BE WEAKER THAN ORIGINALLY FORECAST, NET EARNINGS FROM SHIPPING WILL BE LOWER, AND LAID-UP TONNAGE HIGHER. GROWTH IN DOMESTIC DEMAND, ON THE OTHER HAND, IS LIKELY TO BE AS STRONG AS PROJECTED. PRIVATE CONSUMPTION IS ON THE RISE, AND WITH RISING WAGES AND PRICES NO DECLINE IN CONSUMER DEMAND IS LIKELY. INVESTMENT, MERCHANDISE TRADE, SERVICES AND CONSTRUCTION ARE ALL EXPECTED TO REMAIN AT HIGH LEVELS, AND NO UNEMPLOYMENT AND VERY LITTLE SLACKENING IN OVERALL DEMAND ARE ANTICIPATED. THUS GENERAL EXPANSIONARY MEASURES ARE NOT WARRANTED.

2. HOWEVER, SPECIAL MEASURES TO COUNTERACT REDUCED EMPLOYMENT IN INDUSTRIES PARTICULARLY AFFECTED BY THE RECESSION ABROAD WILL BE INTRODUCED. WITH FINANCING FOR SHIPBUILDING RAPIDLY DRYING UP AS A RESULT OF THE WORLD GLUT IN SHIPPING, DIRECT GOVERNMENT FINANCIAL HELP AND FIRST MORTGAGE LOANS TO HELP NEGOTIATE NEW CONTRACTS WILL BE MADE AVAILABLE. (CANCELLATIONS OF CONTRACTS SINCE LAST FALL AT THE AKER GROUP, NORWAY'S LARGEST SHIPBUILDING CONCERN AMOUNT TO MORE THAN 3 MILLION DWTS.) NECESSARY FUNDS WILL BE BORROWED ABROAD, TO SOME EXTENT UNDER A PROPOSED STATE GUARANTEE ARRANGEMENT. THE GOVERNMENT WILL ALSO PRESENT TO PARLIAMENT IN JUNE A FULL POLICY REPORT ON SHIPPING AND WILL MAKE LIMITED LOANS AVAILABLE TO THE FISHING AND FISH PROCESSING INDUSTRIES. A FOREIGN EXCHANGE GUARANTEE ARRANGEMENT TO PROTECT LONG-TERM CONTRACTS AGAINST ADVERSE FOREIGN EXCHANGE DEVELOPMENTS WILL ALSO BE INTRODUCED. SPECIAL PROVISIONS WILL

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BE MADE FOR THE TEXTILE, GARMENT, AND FUR INDUSTRIES AS WELL AS OTHER INDUSTRIES PARTICULARLY AFFECTED BY COMPETITION FROM ABROAD, AND FUNDS WILL BE PROVIDED FOR SPECIAL LOANS TO PREVENT UNEMPLOYMENT IN THESE INDUSTRIES. MEASURES TO MEET A POSSIBLE DETERIORATION IN THE ECONOMIC SITUATION WILL BE READIED, INCLUDING INCREASED VOCATIONAL TRAINING FOR ADULTS AND PLANNING AND FINANCIAL SUPPORT MEASURES, AND

CONSIDERATION WILL BE GIVEN TO STEPPING-UP  
GOVERNMENT PURCHASES, INCLUDING ORDERS FOR NEW  
NAVAL VESSELS.

4. KLEPPE ACKNOWLEDGES THAT NORWAY'S RESERVES  
OF FOREIGN EXCHANGE OF \$3.0 BILLION ARE STAISFACTORY  
AND THAT PROSPECTS OF FOREIGN EXCHANGE EARN-  
INGS FROM OIL EXPORTS ARE EXCEEDINGLY BRIGHT, BUT  
BELIEVES THE EXPECTED CURRENT ACCOUNT DEFICIT OF  
\$2.0 MILLION -- EQUIVALENT TO NEARLY ONE-THIRD OF  
EXPORTS -- WARRANTS GOVERNMENT AND GOVERNMENT-  
GUARANTEED BORROWING ABROAD FOR THE FIRST TIME  
SINCE 1964. HE CONSIDERS THAT THE OUTLOOK FOR THIS  
BORROWING IS GOOD, BUT STATES THAT ITS COMPREHENSIVE  
NATURE MAKES SOME BORROWING FROM UNCUSTOMARY SOURCES  
LIKELY. THIS IS INTERPRETED TO MEAN THAT HE PLANS TO  
SEEK FUNDS FROM SOME OF THE MIDDLE EASTERN COUNTRIES HE  
JUST VISITED.  
BYRNE

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## Message Attributes

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**TAGS:** ECON, EFIN, NO, (KLEPPE, PER)  
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